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SUBJECT: GUATEMALA NEEDS TPS

REF: (A) GUATEMALA 2386 (B) GUATEMALA 2352 (C)
GUATEMALA 2273

Summary and Introduction

1. Embassy Guatemala strongly supports granting Guatemalans living in the United States Temporary Protected Status (TPS) following Hurricane Stan, which produced floods and mudslides that have devastated the country. Guatemala is in a state of calamity and will be hard pressed to address any additional demands for jobs, housing, roads, bridges, schools, water and sanitation services that the return of Guatemalans living illegally in the U.S. would require. On the eve of CAFTA coming into force, Hurricane Stan delivered a body blow to Guatemala, which was already suffering from high poverty rates, fragile public institutions and an astonishing wave of gang-related crime. The GOG is overwhelmed with addressing the need to clean up the damage, restore basic services and build shelters for the survivors. Granting Guatemalans TPS for 12 months would ease the burden on the Berger administration as it contends with the massive task of overseeing country-wide recovery and reconstruction efforts by postponing the return of Guatemalans until the country is better able to absorb them. It would also provide a substantial support to the Berger government, which has boldly undertaken major fiscal reforms in order to increase social sector spending and to create jobs, measures that will in the long term create incentives for potential migrants to stay in Guatemala. Extending TPS to Guatemalans would also give us added leverage in our efforts to increase GOG cooperation in the expedited removal from the U.S. of Guatemalans apprehended at the border.

Stan's Devastating Impact

2. Starting October 1, torrential rains spawned by Hurricane Stan produced floods and mudslides that destroyed large sections of the country. The GOG is still assessing the damage, but preliminary information suggests that it was the most devastating natural disaster to strike Guatemala since the 1976 earthquake. Due to closed roads and cloudy skies, there are parts of the country that the authorities have not been able to reach, neither by land nor air. The official death toll is currently 664, but this number is expected to rise. One UN agency has estimated the death toll at 2,055. The storm destroyed or damaged at least 200,000 homes. There are over 140,000 persons taking refuge in shelters and uncounted thousands more left homeless or taking refuge in private homes. At least 14 highways were blocked by mudslides, caved in or washed away, leaving 847 km of roads completely impassable and another 1001 km passable with extensive delays. Over a hundred bridges were damaged or destroyed. The GOG conservatively puts the price tag for infrastructure repairs at \$320 million, but the disruption to economic activity caused by road and bridge damage will be much higher. Subsistence farmers across the Mayan indigenous highlands suffered severe losses. Cash crops for export were also badly impacted. The Federation of Guatemalan Coffee Growers, an umbrella organization of 150 cooperatives, reports that losses from flooding could be 10 to 15 percent of the nation's crop, leading to high unemployment in the harvest season, which is just beginning. Preliminary estimates indicate at least \$400 million was lost in corn, beans, coffee, sugar and other crops, and another \$140 million lost in livestock. All told, the GOG believes 1.5 million persons were directly affected and another two million indirectly affected by storm damage.

Dire Economic Conditions

3. Preliminary estimates indicate that Hurricane Stan's damage to the economy will lead to a contraction of two percent in Guatemala's GDP over the coming year. Guatemala's economy was already experiencing anemic economic growth before Stan due to a number of external factors, including surging energy prices. Indeed, on a per capita basis, GDP has not grown in five years. Per capita income of over \$2,000 is skewed by a very wealthy elite; over 55% of the population lives in poverty (under two dollars per day) and at least a further 15% in extreme poverty (under one dollar

per day). Poverty and economic marginalization of much of the indigenous population remain major challenges, and socio-economic indicators are among the lowest in the Western Hemisphere. Prior to Stan, up to half the working population was unemployed or underemployed. In terms of absolute numbers, Guatemala has far more people in extreme poverty than any other country in Central America. Many of the country's poorest live in the highlands, areas hardest hit by Hurricane Stan.

Guatemala's Stability at Stake

14. President Berger has used his first two years in office to undertake major structural economic reforms, such as reducing the military by 50% and increasing tax collection. He has reoriented the savings to increased social spending, which in the long run creates jobs and decreases the incentives for Guatemalans to emigrate to the U.S. The Berger administration has, furthermore, been a strong partner in efforts to combat narcotics trafficking, alien smuggling and terrorism. Its desire to cooperate with us on a broad range of issues was evident in FM Briz's encouraging response to our request for GOG cooperation in accelerating the removal of Guatemalans apprehended at our borders (ref C). Guatemala has made much progress since the 1996 peace accords that ended 36 years of an internal armed conflict that took 200,000 lives. The country is still desperately poor, however, and fragile state institutions are riding herd over a host of social problems that could easily re-ignite. The GOG has responded well to the initial challenges of Hurricane Stan, but the work of preventing widespread hunger, meeting public health needs and rebuilding damaged infrastructure will severely test the Berger Administration's ability to meet Guatemala's basic needs. The success or failure of that effort will determine popular attitudes toward democratic governance and institutions. Success in responding to the hurricane damage will strengthen democracy in Guatemala; failure will weaken it. TPS is the single most effective means the USG has at its disposal to help Guatemala recover from Hurricane Stan. The GOG understands that TPS would be of limited duration. We recommend granting TPS for the next twelve months in order to give the GOG the space it needs to recover from the effects of Hurricane Stan and to get the economy up and running again.

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